CITY HALL COUNCIL CHAMBERS
SANTA MARIA, CALIFORNIA
SPECIAL MEETING
CITY COUNCIL/REDEVELOPMENT AGENCY

AUGUST 25, 2011

PLEDGE OF ALLEGIANCE TO THE FLAG:
Mayor Lavagnino led the Pledge of Allegiance.

CALL TO ORDER:
Mayor Lavagnino called the Special Meeting of the City Council to order at 2:00 p.m.

ROLL CALL:
MEMBERS PRESENT
Councilmembers Boysen, Orach, Patino, and Mayor Lavagnino.

MEMBERS ABSENT
Councilmember Cordero

STAFF MEMBERS PRESENT
City Manager Ness, City Attorney Trujillo, Assistant City Manager Haydon, Director of Administrative Services Visé, and Chief Deputy City Clerk Perez.

PUBLIC COMMENT
There were none.

Mayor/Chairperson Lavagnino adjourned the Special Meeting of the City Council and convened the meeting of the Redevelopment Agency Board at 2:03 p.m.

ROLL CALL:
MEMBERS PRESENT
Board Members Boysen, Orach, Patino, and Mayor Lavagnino.

MEMBERS ABSENT
Board Member Cordero

ACTIONS REQUIRED BY THE REDEVELOPMENT AGENCY (RDA) BOARD AND THE CITY COUNCIL (SEPARATELY) TO COMPLY WITH RECENT CALIFORNIA SUPREME COURT DECISIONS IN RESPONSE TO A LAWSUIT FILED BY THE LEAGUE OF CALIFORNIA CITIES AND CALIFORNIA REDEVELOPMENT ASSOCIATION.

The Redevelopment Agency Board will consider a resolution approving the Enforceable Obligation Payment Schedule (EOPS) for the period ending December 31, 2011.
Director of Administrative Services Visé gave the staff report. On June 28, 2011, the Governor signed into law AB 1X 27 relating to redevelopment. The bill was a companion bill to AB 1X 26, which immediately suspends agency activities and eliminates redevelopment agencies effective October 1, 2011. On July 18th, the California Redevelopment Association (CRA), the League of California Cities, and others filed a petition for Writ of Mandate directly in the California Supreme Court. The petitioners argued that the bills violate recently enacted Proposition 22 as well as other provisions of the State Constitution. On August 11th, the California Supreme Court issued a partial stay on the enforceability of AB 1X 26 and AB 1X 27. The partial stay created confusion regarding whether the EOPS needed to be adopted by August 28, 2011. On August 18, 2011, the California Supreme Court further modified its stay clarifying that the provision requiring the EOPS to be adopted by August 28, 2011, was not stayed.

AB 1X 26 calls for Redevelopment Agencies to adopt an EOPS within 60 days of the Governor's signing of the bill. The EOPS, which must be adopted by August 28, 2011, identifies bond debt service and other payments that must be made through December 31, 2011. The EOPS forms the basis of payments that will be made by a successor agency if the Redevelopment Agency (Agency) is dissolved on October 1, 2011. In addition to the EOPS, the provisions of AB 1X 26 also require the Agency to prepare and present a preliminary draft of the initial Recognized Obligation Payment Schedule (ROPS) no later than September 30, 2011, to the Successor Agency. This part of the legislation was also not stayed.

AB 1X 27 exempts agencies from suspension and dissolution under AB 1X 26 if the city adopts an ordinance agreeing to comply with what AB 1X 27 calls "Voluntary Alternative Redevelopment Program," (VARP) under which participating communities "voluntarily" pay a portion of tax increment to the State. In 2011, the total amount for all agencies Statewide is $1.7 billion. In subsequent years, the amount is $400 million per year; however, that amount may be subject to change. For the first year, each agency's share of the $1.7 billion is based on a formula that includes the amount of tax increment received in 2008-09 less principal and interest payments on qualified debt. Our Agency's portion of the $1.7 billion is $329,379.

The California Supreme Court is expected to render an opinion on the legislation by mid-January, 2012. Should the Supreme Court find the legislation to be constitutional, it is prudent to have the EOPS appropriately adopted within the requirements of AB 1X 26. The City may then adopt the continuation ordinance under AB 1X 27, which will result in the EOPS having no effect.

The proposed ordinance clearly states that the City Council believes that AB 1X 26 and AB 1X 27 violate several provisions of the State Constitution and that the City Council is agreeing to participate in the "voluntary" program of AB 1X 27 under protest and without prejudice to the ability of the City Council to subsequently determine that participation in redevelopment pursuant to AB 1X 27 is not in the best interest of the City and to formally repeal the ordinance in the event the legislation is held valid and constitutional.

The City's RDA currently receives about $1.25 million in annual tax increment. The entire amount is used to pay a portion of the annual debt service payments on the 2003 Refunding Lease Revenue Bonds. The annual debt service payment is approximately $2.7 million. The remainder of the annual payment is made from General Fund monies.

Board Member Boysen commended Director Visé on his report. He asked about the calculation of the voluntary payment. It says it is based on a formula that includes the amount of the tax increment received, less the principal and interest. The City's principal and interest are substantially higher than the RDA's tax increment. It seemed the City should not have to pay anything.

Director Visé explained that the issue was the kind of bonds the City had outstanding. If the City had tax-allocation bonds, the entire amount would be used to off-set the City's bond payments. However, the City's bonds were lease-revenue bonds; so the principal portion was not allowed to be deducted, but the interest portion was.

RDA Resolution No. 2011-02 approving the enforceable obligation payment schedule was adopted on motion by Board Member Patino, seconded by Board Member Orach, and carried on the following vote:

AYES: Board Members Boysen, Orach, Patino, and Chairperson Lavagnino
NOES: None
ABSENT: Board Member Cordero
ABSTAIN: None

RDA Resolution No. 2011-02 adopted. A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA MARIA APPROVING THE ENFORCEABLE OBLIGATION PAYMENT SCHEDULE FOR THE PERIOD ENDING DECEMBER 31, 2011.

Chairperson/Mayor Lavagnino adjourned the Redevelopment Agency Meeting at 2:07 p.m. and reconvened the Special City Council meeting with four members present.

The City Council will consider an ordinance determining the City's compliance with the Voluntary Alternative Redevelopment Program pursuant to Part 1.9 of Division 24 of the California Health and Safety Code in order to permit the continued existence and operation of the Redevelopment Agency of the City of Santa Maria in the event the California Supreme Court ultimately determines that AB 1X 26 and AB 1X 27 are constitutional.

Councilmember Orach asked what happened if the California Supreme Court found AB 1X 26 and AB 1X 27 were unconstitutional.

City Manager Ness explained that they expected the California Supreme Court to take action around mid-January of 2012. They did not expect anything else to happen for the balance of this calendar year. The first payment under AB 1X 27, the VARP program, would be half of the $329,379 by the 15th of January with the remaining half thereafter. If the Supreme Court found the legislation to be unconstitutional, the City would not have to pay anything.

Mayor Lavagnino asked why the City would have to make a payment in January if the Supreme Court had not made a decision by then when a stay was in effect.

City Manager Ness replied that the payment schedule was based on the language in the legislation. That was why the lawsuit asked for an accelerated review of the case. However, the opinion was that the stay from the Supreme Court would exempt the City from having to make the first payment in January.

City Attorney Trujillo explained that the confusion came about because the Supreme Court issued a partial stay on certain portions of the legislation. The stay was then further modified by the Court. The League of California Cities has now asked the Court to further clarify that stay in a motion that was just filed a few days ago. He believed the City/RDA was taking all the appropriate steps given the ambiguity in the ruling.

Ordinance No. 2011-07 determining that the City will comply with the Voluntary Alternative Redevelopment Program was introduced by title only for first reading and continued to the September 6, 2011, Regular City Council meeting on motion by Councilmember Orach, seconded by Councilmember Patino, and carried on the following vote:

AYES:	Councilmembers Boysen, Orach, Patino, and Chairperson Lavagnino
NOES:	None
ABSENT:	Councilmember Cordero
ABSTAIN:	None

ADJOURNMENT

There being no further business to come before the City Council/Redevelopment Agency at this time, the meeting was declared adjourned at 2:13 p.m. by Mayor/Chairperson Lavagnino.

APPROVED

September 6, 2011
Date

Patricia Alley
Chief Deputy City Clerk and ex-officio Clerk of the City Council/RDA

ATTEST

Patricia Alley
Chief Deputy City Clerk

Alice M. Patino for
Mayor/Chairperson